

The Raffles Act governs the conduct of raffles in Illinois. 230 ILCS 15/0.01 et seq.. (This is a GIL.)

July 26, 2007

Dear Xxxxx:

This letter is in response to your letter dated January 8, 2007, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We are writing to request that the Department Legal Service Bureau provide a letter ruling with respect to the permissibility of using an electronic medium, the internet, to conduct charity split the pot raffles.

Our client has designed software that allows charities to conduct split the pot raffle events online. Basically a charity will rent the software/website for a time period from our client to conduct the online split the pot raffle. We believe that an electronic raffle meets the definition of 'raffle' under the Illinois Raffle act 230 ILCS 15.1 We are requesting the department review this matter and provide its opinion as to whether these types of games constitute 'raffle's' [sic] under the Act.

The object of the game is for an individual to obtain a winning number. An individual will access the website, purchase a ticket and will be sent, via their e-mail, a ticket number. The software will then randomly pick a winning number, generated by a computer operating system located within the software. Winners will be notified via their e-mail. Payouts will come from the charity in the form of a check within a certain amount of business days.

We have reviewed the Illinois Raffle Act 230 ILCS 15/1 and it is our opinion that the electronic raffle game described above meet the definition of a raffle. Section 1 of the Raffle Act describes a 'raffle' as a form of lottery conducted by an organization licensed under the Act in which (1) the player pays or agrees to pay something of value for a chance, represented and differentiated by a number or a combination of numbers, or by

some other medium, one or more of which chances is (sic) to be designated the winning chance; and (2) the winning chance is to be determined through a drawing or by some other method based on an element of chance by an act or set of acts on the part of the persons conducting or connected with the lottery, except that the winning chance shall not be determined by the outcome of a publicly exhibited sporting contest.

Based on the above definition there seems to be no substantive difference between an electronic raffle game and a paper raffle game. Even though paper has been the traditional method for conducting such raffles, my client would like to use the electronic medium and his software to allow charities to conduct raffles on line.

We would greatly appreciate you providing us with your opinion/position regarding the use of the internet and software for conducting these raffles on line falls under the Raffles Act.

Additionally, I contacted the Department of Revenue regarding whether or not we needed to register with them. Since we are renting the software, I was advised it was a grey area and should put this in my letter to you. Since only money will be changing hands, we feel it is an income tax issue rather than a sales tax issue. Please clarify whether not we need to register with your department.

Please feel free to contact me if you have any questions regarding this matter. I look forward to your response. Thank you in advance for your time and attention to this matter.

DEPARTMENT'S RESPONSE

You have asked that the Department provide a ruling with respect to the permissibility of using an electronic medium for conducting a raffles game. However, while the areas of gaming subject to the Department's jurisdiction include the Illinois Pull Tabs and Jar Games Act, the Bingo License and Tax Act and the Charitable Games Act, it does not include the Raffles Act.

The Raffles Act governs the conduct of raffles in Illinois. 230 ILCS 15/0.01 et seq.. Under the Raffles Act, counties or municipalities in Illinois may establish a system for licensing organizations to operate raffles. The Raffles Act defines a raffle, the types of organizations that can be licensed to conduct raffles, and restrictions on the conducting of raffles.

Whether or not the electronic game you have described constitutes a raffle within the scope of the Raffles Act is a question that you may wish to direct to the States Attorney in the relevant location.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel